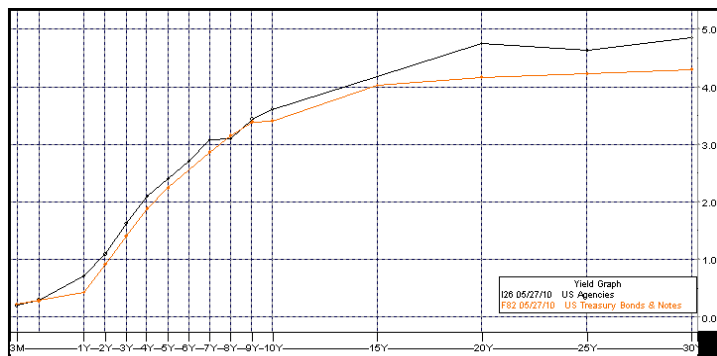


May Nonfarm Payrolls Increase Less Than Forecasted

Nonfarm payrolls expanded less than forecast in May, showing a lack of confidence in the recovery that may lead to slower economic growth. Payrolls jumped by 431,000 last month. However, over 400,000 of the jobs created were temporary government workers for the 2010 census. Americans dropping out of the workforce, rather than accelerating job growth, were responsible for the unemployment rate dipping to 9.7 percent. In conjunction with the European Sovereign debt crisis, a weaker outlook for the U.S. economy continues to depress Treasury yields this week.

Yield Curves (Agency vs. Treasury)



Source: Bloomberg

Our Methodology

The Federal Reserve continues to maintain the fed funds target rate between zero and 0.25 percent. Although the U. S. economy has grown the past two quarters, growth remains uneven and the market is not anticipating an increase in the fed funds rate until late this year or early 2011. Inflation continues to remain at very low levels allowing the Federal Reserve the flexibility to keep interest rates low. We continue to keep our weighted average maturity (WAM) at the upper end of the allowable range to take advantage of the positive sloped yield curve. Our credit team remains diligent in developing and maintaining our commercial paper list allowing our participants a slightly higher yield. As always, the top priorities of TrustIndiana remain the safety of the public's funds, the maintenance of sufficient liquidity and the offering of a competitive yield.

Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q1 '10	3.0%
GDP YoY	Q1 '10	2.5%
PPI YoY	Apr '10	5.5%
CPI YoY	Apr '10	2.2%
Jobless Rate	May '10	9.7%
Fed Funds Target	Apr 28 '10	0 - 0.25%

Source: Bloomberg

Treasury Yields

TERM	06/03/10	05/27/10	CHANGE
3-Month	0.13%	0.17%	-0.04%
6-Month	0.21%	0.23%	-0.02%
1-Year	0.33%	0.35%	-0.02%

Source: Bloomberg

Agency Yields

TERM	06/03/10	05/27/10	CHANGE
3-Month	0.22%	0.25%	-0.03%
6-Month	0.33%	0.34%	-0.01%
1-Year	0.60%	0.60%	0.00%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1 Dealers)

TERM	06/03/10	05/27/10	CHANGE
1-Month	0.41%	0.37%	0.04%
3-Month	0.60%	0.55%	0.05%
6-Month	0.83%	0.76%	0.07%
9-Month	0.91%	0.93%	-0.02%

Source: Bloomberg

The opinions expressed are those of TrustIndiana Staff and are subject to change without notice.